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Montana Lottery security, Department of Commerce

Legislative Audit Division

State of Montana

Report to the Legislature

April 1997

Performance Audit

Montana Lottery Security

Department of Commerce

This report contains information regarding the security controls at the Montana Lottery. The report concludes controls are in place which ensure the overall security of Montana Lottery operations.

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Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, computer science, communications, and engineering.

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April 1997

The Legislative Audit Committee
of the Montana State Legislature:

This is the report of our performance audit of security at the Montana Lottery. The report contains one recommendation but concludes security controls are in place which ensure the overall security of the Lottery. The Lottery response is contained at the end of the report.

We wish to express our appreciation to the staff of the Lottery for their cooperation and assistance.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

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Legislative Audit Division

Performance Audit

Montana Lottery Security

Department of Commerce

Members of the audit staff involved in this audit were Ken Erdahl and Joe Murray.

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Appointed and Administrative Officials

Montana Lottery Commission	Becky Erickson, Chair
	Robert Crippen
	Clifford Brophy
	Larry O'Toole
	Carol Thomas
Department of Commerce	Peter Blouke, Director
	Andy Poole, Deputy Director
Montana Lottery	Jerry LaChere, Lottery Director
	L. John Onstad, Director of Security
	Leslie Darfler, Director of Operations

Introduction

State law requires the Lottery to maintain a high degree of security over its operations. This is evident by the fact state law requires the Lottery to have a security director and requires the Legislative Audit Division to analyze the security over Lottery operations every two years. This is the fourth security audit we have completed since the Lottery's inception.

Security Controls

Our 1994 security audit report contained 13 recommendations to improve security over certain areas of Lottery operations. These recommendations related to warehouse security, Montana Cash drawing ball sets, and computer security. All but one of these recommendations has been implemented or is being implemented. We found the Lottery still needs to establish a formal process to ensure security personnel approve and periodically review access rights to the On-Line Management Terminal (OLMT). The OLMT is a system which allows direct communication between the Montana Lottery and the central computer system for the on-line lotto games.

Section 23-7-411, MCA, specifies those areas of Lottery operations the Legislative Audit Division must evaluate to determine if controls exist which ensure the security over these areas. These areas include:

- Personnel security;
- Lottery sales agent security;
- Lottery contractor security;
- Ticket validation/counterfeiting;
- Drawing security;
- Lottery premises/warehouse security;
- Ticket distribution security;
- Instant game ticket delivery/storage;
- Computer security.

Our review found controls exist in each of these areas which ensures the overall security of Lottery operations.

Chapter I - Introduction

Introduction

Section 23-7-411, MCA, requires the Legislative Audit Division to perform a security audit of the Montana Lottery every two years. This is the fourth security audit completed since the Lottery's inception in 1987.

Audit Objectives

As required by state law, we evaluated the security over the Montana Lottery's operations. Our primary objective was to evaluate whether security controls exist over the areas spelled out in section 23-7-411, MCA. Other audit objectives were to:

- Evaluate the security over the Lottery building and the Lottery's games.
- Determine if the Lottery completed background investigations on new employees.
- Evaluate the security over the Lottery's Stratus computer system, Instant Lottery System software, and on-line lottery computer system.
- Determine the implementation status of recommendations made in our April 1994 security audit report.

Audit Scope and Methodology

The audit was conducted in accordance with governmental auditing standards for performance audits. We evaluated all aspects of security over Lottery operations as required by state law. This included reviewing the security over the Lottery building, Lottery games, and the Lottery's computer system. We also followed up on the implementation status of audit recommendations made in our 1994 security audit. During our 1994 security audit, we noted many areas of the Lottery's operation had sufficient controls in place. We reviewed these areas during this audit to verify the controls over these areas still existed.

A number of steps were performed to evaluate the security over the Lottery's operations. We reviewed security policies and procedures, interviewed Lottery management and staff, and reviewed documentation related to the Lottery warehouse, Montana Cash drawing balls, and the Lottery's computer system for both the instant

and on-line lotto games. We also reviewed security files for Montana Lottery employees.

We evaluated the process to review and approve employee access to the Lottery's Stratus computer system. We also evaluated the physical and environmental controls protecting the Stratus system, reviewed various Stratus system documentation, and interviewed Lottery security and electronic data processing personnel. We also evaluated specific security controls for the computer system used for the Lottery's on-line lotto games. Automated Wagering International (AWI) in Minneapolis, MN provides computer services to the Lottery for its on-line lotto games. We reviewed AWI's disaster recovery plan, evaluated the process to review and approve employee access to the system, and interviewed AWI and Lottery security personnel.

We evaluated the security over the Lottery building. This included tests of the security devices which control building access. We also reviewed the security over the instant tickets stored in the Lottery's warehouse and the Lottery's process to ensure the security over instant tickets shipped to retailers via United Parcel Service. Dittler Brothers, Inc., located in Atlanta, Georgia prints all of the Lottery's instant tickets. We visited Dittler Brothers, Inc. and evaluated their instant ticket production process, the security over the computer system which produces the tickets, and the physical security over the facility where the tickets are printed.

In February 1997, the Lottery implemented its Instant Ticket Validation and Accounting System (ITVAS). This system now performs most of the data processing functions for the Lottery's instant games. ITVAS was not included in our review since the system was implemented after our audit was completed.

Statement of Privileged and Confidential Information

Section 23-7-412, MCA, provides: "Specific audit findings relating to security invasion techniques are confidential and may be reported only to the legislative audit committee, the director of the lottery, the commission, the attorney general, and the governor." Previous audits had identified problem areas requiring a confidential audit report be issued due to the sensitive nature of these areas. We did not identify any areas requiring confidentiality during this audit.

Compliance

We reviewed compliance with state laws and administrative rules which relate to Lottery security operations. The Lottery is generally in compliance with these laws and administrative rules.

Chapter II - Background

Introduction

In November 1986, the people of Montana passed Legislative Referendum 100 establishing a state lottery. Lottery ticket sales began on June 24, 1987, with an instant scratch game being the first game offered to the public. The Lottery has since increased the number of Lottery games by adding three on-line lotto games: Powerball, Montana Cash, and Tri-West Lotto.

Lottery Security Mission and Goals

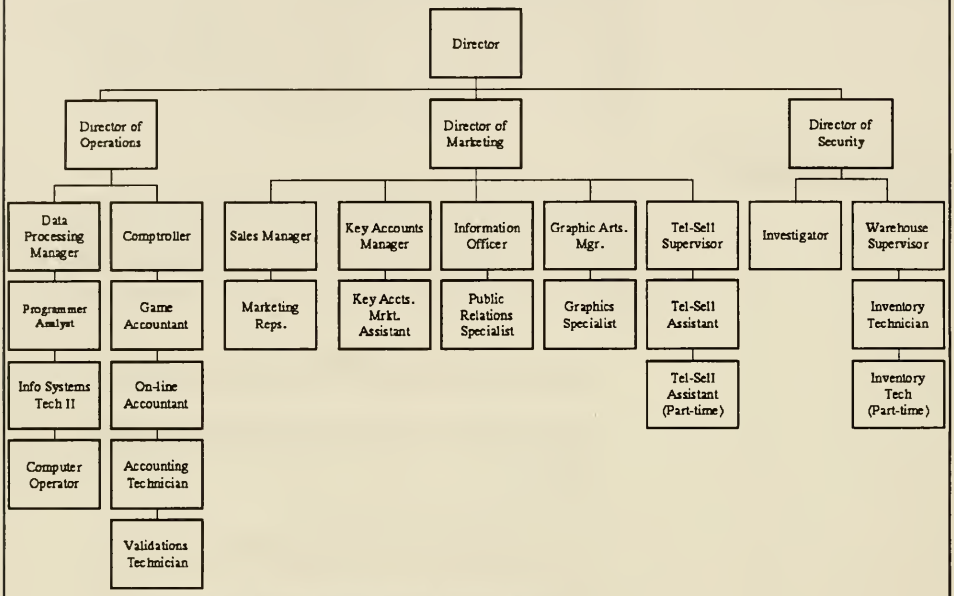
The mission for the Montana Lottery's Security Division is "to assure security, honesty, fairness, and integrity in the operation of the Lottery while serving and supporting the Lottery's retailers and field staff in the performance of their duties." The Security Division has also established several security-related goals. These include:

- Quickly respond to the findings of the security audit and make thorough and appropriate corrections where necessary.
- Provide the utmost in security within the Lottery facility through improved testing, upgrading of equipment, and training.
- Ensure the Lottery's integrity by being involved in the planning of promotions, drawings, and other activities.
- Maintain clear communications through daily Security Division meetings.
- Examine costs of doing business and look for more efficient ways to provide the Lottery's service.

Lottery Organization

The Montana Lottery is attached to the Department of Commerce for administrative purposes. Lottery operations are administered by the Lottery Commission and the Lottery director. The following figure displays the organizational structure of the Lottery.

Figure 1
Montana Lottery Organization



Source: Compiled by the Legislative Audit Division.

Lottery Commission

The Lottery Commission consists of five members appointed by the Governor. Section 23-7-201, MCA, requires three of the five members to come from specific professions. One commissioner must have a minimum of five years law enforcement experience, one commissioner must be an attorney licensed in Montana, and one commissioner must be a certified public accountant licensed in Montana. The remaining two board members are public members. The Commission meets with the Lottery director at least once every three months to set policy, determine the types of games to offer, and review Lottery activities and operations.

Lottery Staff/Department Responsibilities

The Montana Lottery is authorized a total of 35 FTE. The Lottery has an administrative function which includes the Lottery director, who is appointed by the Governor, and three other FTE. The remaining 31 FTE are located in either the Operations Division, Marketing Division, or Security Division.

Operations Division

The Operations Division is authorized 10 FTE which includes a director of operations who administers the division. The operations division is responsible for the Lottery's accounting and fiscal management. This includes establishing Lottery budgets, monitoring ticket sales, validating winning tickets, and administering data processing operations.

Marketing Division

The Marketing Division is authorized 16.5 FTE which includes a director of marketing who administers the division. This position is currently vacant and its responsibilities are being handled by the Lottery director until the position is filled. The marketing division is responsible for designing and managing Lottery games, researching and analyzing Lottery sales, selling instant game tickets to retailers, and promoting the Lottery.

Security Division

The Security Division is authorized 4.5 FTE which includes a director of security who oversees the division's security operations. In addition, the security director also administers the operations of the Lottery warehouse. The security division performs background investigations on all employees and retailers, licenses retailers, ensures tickets are produced and printed in compliance with established security measures, and directs investigations of alleged Lottery fraud or theft. The division also monitors special drawings and promotions, establishes security policies and procedures for new games designed by the Lottery, and provides the security for the Lottery's computer system.

Lottery Funding, Sales, and Distribution

Lottery operations are funded by revenues from instant and on-line game ticket sales. Section 23-7-402, MCA, specifies how these revenues are to be distributed. This statute requires a minimum of 45 percent of the money spent on Lottery tickets be paid as prize money. This law does not specify what percentage of these revenues must be spent for operating expenses and retailer commissions. Funds not used for prizes, operating expenses, and commissions are considered net revenue and must be transferred quarterly to the state's General Fund.

The following table provides information regarding lottery sales and distribution of revenue for fiscal years 1993-94 through 1995-96.

Table 1
Montana Lottery Revenue and Distribution
Fiscal Years 1993-94 through 1995-96
(Millions)

	FY 1993-94	FY 1994-95	FY 1995-96
Revenue			
On-line Games	$29.6	$25.4	$25.4
Instant Games	7.8	7.2	6.3
Other	.1	.2	.2
TOTAL	$37.5	$32.8	$31.9
Expenditures			
Prizes	$18.1	$16.2	$15.9
Commissions	2.0	1.8	1.8
Ticket Costs	5.0	3.5	3.2
Operations	3.0	2.8	3.2
OPI Transfers*	8.5	7.8	0.0
BCC Transfers*	.9	.7	0.0
State General Fund	0.0	0.0	7.8
TOTAL	$37.5	$32.8	$31.9

* Section 23-7-402, MCA, was amended during 1995 Legislative session eliminating transfers to the Office of Public Instruction and the Board of Crime Control. All transfers now go to the state General Fund.

Source: Compiled by the Legislative Audit Division from contract auditor reports.

Lottery Games

As noted above, Lottery operations are funded by revenue from ticket sales for instant scratch and on-line lotto games. The following sections describe each type of game the Lottery offers.

Instant Scratch Games

Instant scratch games were the first games offered by the Lottery. These games allow players to determine if they are winners by scratching a latex coating off a ticket and matching a certain number of play symbols. For example, if three identical play symbols appear on the ticket then players win instantly. The Lottery offers multiple games simultaneously and the size of the prize a player wins depends on the prize structure for the particular game played.

Instant games are designed by Lottery staff who meet periodically to discuss game strategies, prize structure, and ticket specifications. Once a decision is made, working papers are developed which detail the specifications for the game such as the prize structure and the ticket's physical appearance. After the working papers are compiled by the instant ticket vendor (Dittler Brothers, Inc.), they are returned to the Lottery for review. Several draft versions of working papers are developed and reviewed by both the Lottery and Dittler Brothers, Inc. before a final game design is selected. Once Lottery officials approve the final working papers the ticket printing process begins.

After instant tickets are printed, Dittler Brothers, Inc. ships them to Lottery headquarters. The Lottery inventories the ticket shipment to ensure all tickets are present, the latex covering is free from scratches, play symbols are covered by latex, and the general appearance of the tickets is good. The Lottery then distributes tickets to retailers for sale to the public. Instant scratch games are on sale to the public for approximately six months. When a game concludes, retailers return unsold tickets to the Lottery. The Lottery inventories these tickets and holds them for six months at which time the tickets are incinerated.

On-Line Lotto Games

On-line lotto games offer players a chance to win larger prizes than can typically be won on instant games. The Lottery currently offers three on-line lotto games: Powerball, Montana Cash, and Tri-West Lotto. Each game is described below.

Powerball

Ticket sales for Powerball began in April 1992. It is a multi-state lottery game offering smaller states the opportunity to provide larger jackpots than they could offer through a state lotto game. The Montana Lottery currently participates in Powerball with 20 other states and the District of Columbia. To participate in Powerball, the Lottery must be a member of the Multi-State Lottery Association (MUSL) which is headquartered in Des Moines, Iowa. MUSL administers operations for Powerball and the Lottery must comply with MUSL rules and game procedures.

Powerball offers players nine different prize levels. To win or share in the Powerball jackpot players must match five numbers from a field of 45, plus the "POWERBALL" number which is selected from a second set of 45 numbers. Powerball jackpots begin at $5 million and increase each time they are not won. The amount the jackpot increases is based on total ticket sales for each drawing. Players can also win prizes which range from $1 to $100,000 by matching a specified number of balls and/or the "POWERBALL." The odds of winning the jackpot are one in 54 million and the overall odds of winning a prize are one in 35.

Powerball drawings are held every Wednesday and Saturday night in Des Moines. The drawings are monitored to ensure the security and integrity of the drawings. MUSL uses off-duty police officers and contracts with independent auditors to monitor each drawing. Additionally, independent audit firms contracted by MUSL observe drawing procedures performed by each MUSL member, including the Montana Lottery.

Montana Cash

Ticket sales for Montana Cash began in May 1991. It is an on-line lotto game played only in Montana and drawings are held each Wednesday and Saturday evening at Montana Lottery headquarters. Montana Cash drawings are monitored by independent auditors to ensure the integrity and security of the drawings and that the drawings comply with established drawing procedures.

Montana Cash offers players a chance of winning a guaranteed minimum jackpot of $20,000. To win the jackpot players must match five numbers from a field of 37. Players also win $200 if they match four of five numbers drawn, and $5 if three numbers match. The odds of winning a jackpot are one in 217,949 and the overall odds of winning a prize are one in 43.

Tri-West Lotto

The Montana Lottery introduced Tri-West Lotto in February 1994 in conjunction with Idaho and South Dakota. It offers players a chance to win a jackpot if they match six of 33 numbers. The jackpot begins at $150,000 and increases each time it is not won based upon ticket sales for each drawing. Players can also win an estimated $250 if they match five of six numbers, $10 if four numbers are matched, and $1 if three numbers are matched. The odds of winning the jackpot are one in 1.1 million and the overall odds of winning a prize are one in 17. Tri-West drawings are held each Wednesday and Saturday evening in Des Moines, Iowa in conjunction with the Powerball drawing. Therefore, the drawing uses the same security measures as Powerball to monitor the drawing.

Retailers

There are 675 retailers licensed to sell and redeem instant lottery tickets for the Montana Lottery. Of these, 331 are also authorized to sell and redeem on-line lotto tickets for the Lottery's three on-line lotto games. Before retailers are considered for a license they are subject to a statutory background investigation by the Lottery's Security Division. The $50 cost of a retailer license is used to cover the expense of investigating and processing the application.

Computer Operations

Computer operations are an integral part of Montana Lottery operations. The Lottery relies on computer systems to provide both instant scratch games and on-line lotto games to the public. The following sections describe the Lottery's computer systems for both types of games.

Instant Scratch Game Computer Operations

The Stratus system is the Lottery's own minicomputer which has been used since the Lottery's inception to perform most of its data processing activities related to instant games. The Stratus system uses Instant Lottery Software (ILS) to perform a number of functions associated with instant games. These functions include:

- Verify winning instant tickets.
- Write checks to winners.
- Void unused, returned, or stolen tickets.
- Monitor and issue ticket inventory.
- Collect payments from retailers using electronic funds transfers.
- Collect various types of data regarding prize winners.

In addition, the Stratus system also verifies the integrity of the central computer system (located in Minneapolis, MN) which administers the Lottery's on-line lotto games. This is done via the Internal Control System (ICS) which is part of the Stratus system. The ICS gives the Lottery the capability to verify the accuracy of ticket sales information maintained on the central computer for the on-line lotto games.

Computer Operations for Instant Games Changed After Audit was Completed

In February 1997, the Lottery implemented the Instant Ticket Validation and Accounting System (ITVAS) which now performs most of the data processing functions related to instant games. ITVAS uses the same central computer system as the Lottery's on-line lotto games. ITVAS provides a system to validate instant tickets by scanning a bar code on the ticket which instantly verifies the ticket is a winner and the amount of the prize. With the implementation of ITVAS, the Stratus system has a smaller role in regards to the instant scratch games. However, the Stratus system is still used to verify the accuracy of ticket sales information for the on-line lotto games.

According to Lottery officials, ITVAS provides a number of benefits. These include enhanced security over instant tickets, automated accounting and reporting, and higher retailer limits for validating tickets. The Lottery allows retailers to validate winning tickets up to $250 compared to a $50 limit before ITVAS was implemented. Lottery officials indicated one of the major advantages is that ITVAS allows instant tickets to be validated at any retailer in the state where before players were required to redeem winning tickets at the retailer where the ticket was purchased. The security over ITVAS will be reviewed during our next security audit.

On-Line Lotto Game Computer Operations

Computer operations for the Lottery's three on-line lotto games are administered by Automated Wagering International (AWI). During our 1994 security audit, computer operations were administered from AWI's facility in Olympia, WA. AWI also provided services to the Washington Lottery from this facility. Since the completion of our audit, the Washington Lottery did not renew AWI's contract and the facility was closed. At approximately the same time, the Montana Lottery's contract with AWI concluded which required the Lottery to seek proposals for a new computer services provider for its on-line lotto games. AWI received the contract and now provides the services from its facility in Minneapolis, MN. AWI also provides services to the South Dakota and Minnesota Lotteries from this facility.

Computer operations for the on-line lotto games are controlled by a central computer system located in Minneapolis. This computer system monitors, stores, and compiles ticket sales information such as the date and time tickets were purchased and the numbers selected during the drawings. This computer system is monitored by the Lottery's Internal Control System (ICS) which is part of the Lottery's Stratus computer system. The ICS gives the Lottery the capability to verify the accuracy of AWI's ticket sales information for the on-line lotto games.

Tickets for the three on-line lotto games are printed from on-line lotto terminals located in retailer establishments. The terminals are connected via phone lines to the central computer in Minneapolis. Players can choose their own numbers to play or have the terminal

randomly select the numbers. AWI is responsible for the maintenance of these terminals and provides and installs terminals in retailer locations selected by the Lottery. AWI also supplies retailers with ticket stock and provides technical assistance for terminal operations.

Chapter III - Security Controls

Introduction

State law requires the Lottery to maintain a high degree of security over its operation and its games. This is evident by the fact section 23-7-212, MCA, requires the Lottery to have a security director and section 23-7-411, MCA, requires the Legislative Audit Division to analyze security over these areas every two years. The following sections discuss the status of the audit recommendations made in our 1994 security audit and the security controls the Lottery has in place over its operations.

Prior Audit Recommendations

Our 1994 audit report contained 13 recommendations to improve security over certain areas of Lottery operations. The recommendations related to warehouse security, Montana Cash drawing ball sets, and computer security. Lottery officials concurred with all the recommendations and established time frames to implement the recommendations. The following chart provides information on the status of recommendations made in our 1994 security audit.

Table 2
1994 Security Audit Recommendations
Recommendation Status

Implemented	10
Partially or Being Implemented	2
Not Implemented	1
TOTAL	13

Source: Compiled by the Legislative Audit Division.

As the table shows, the Lottery implemented most of our 1994 audit recommendations. Two recommendations were either partially implemented or being implemented. These related to backup and recovery plans for the Lottery's Stratus computer system and AWI's computer facility. There was one recommendation which was not implemented. The following section discusses this issue.

On-Line Management Terminal

The On-Line Management Terminal (OLMT) system allows direct communication between the Montana Lottery and AWI's computer system located in Minneapolis, MN. In 1994 we recommended the Montana Lottery approve AWI employee access rights to Lottery OLMT applications based on the requirements of employee position descriptions. This recommendation also suggested the Lottery periodically review the reasonableness of OLMT access on a periodic basis. AWI provides Lottery security personnel with a report which shows all AWI and Montana Lottery employees with access to OLMT. We reviewed these reports and found both AWI and Lottery employees who appear to have access beyond their job requirements.

We discussed the access provided to these employees with Lottery security personnel and they told us the access rights for these employees may or may not be reasonable. Security personnel indicated although they review the report to determine if access changes were made, they do not evaluate the access to determine if it is reasonable. We found decisions to approve access for AWI employees to OLMT applications are usually based on verbal requests from AWI officials instead of the job requirements for these employees.

A formal process has not yet been established to ensure Lottery security personnel approve and periodically review access rights to OLMT applications. It is important to control access to these applications because of the potential for manipulation of OLMT retailer files and unauthorized changes to game files.

Recommendation #1

We recommend the Montana Lottery:

A. Approve AWI employee access rights to Lottery OLMT applications based on the requirements of employee position descriptions.

B. Review the reasonableness of OLMT access on a periodic basis.

Are Lottery Operations and its Games Secure?

State law requires the Lottery to maintain a high degree of security over its operation and its games. The following sections discuss those areas of Lottery operations specified in section 23-7-411, MCA, where our audit work identified security controls in place.

Personnel Security

State law requires Lottery security personnel to conduct background investigations of employees the Lottery hires. These investigations alert security personnel of any criminal history which could make an individual unsuitable for employment. For example, the Lottery can not employ a person convicted of a gambling felony. Employee fingerprints are obtained and provide the major source of information about an employee's potential criminal history. Our audit found security personnel complete background investigations on all employees it hires.

Lottery Sales Agent Security

Lottery security personnel complete background investigations on all retailers who sell Lottery game tickets. The Lottery also implemented a 1994 audit recommendation which further improved security over how the Lottery gathers retailer information and makes changes to retailer files. The Lottery added a checklist to new retailer files and each person responsible for gathering the required licensing information initials the checklist after the information has been added to the file. Security personnel review the checklist to ensure all information has been gathered and added to the file prior to issuance of the license. The Lottery also established a policy which requires all changes be reviewed by a "team" of Lottery employees from the Security, Operations, and Marketing Divisions. This policy also requires all changes be accompanied by an approved change request form. Our review found this policy is being followed. The Lottery also reviewed all existing retailer files to ensure all required information is contained in the files and the hard-copy files match what is on the computer system.

Lottery Contractor Security

Dittler Brothers, Inc. is located in Atlanta, Georgia and prints all of the Lottery's instant game tickets. We visited Dittler's ticket printing facility and found security controls are in place. We also found security controls exist over Dittler's process to print tickets. We did not visit AWI's on-line computer facility in Minneapolis, MN during this audit. This facility will be reviewed during our next security audit.

Ticket Validation/Counterfeiting

The Lottery validates all high-tier winning tickets for both the instant and the on-line lotto games. The Lottery has established and follows detailed procedures to validate these tickets and ensure the tickets are authentic. In addition, state law does not allow certain individuals to play the Lottery and validation procedures include confirming a winner is not prohibited from playing the Lottery. There are also a number of different controls in place which make it difficult to counterfeit tickets for both instant and on-line games. If counterfeiting is suspected, Lottery security officials immediately conduct an investigation and file charges if necessary.

Drawing Security

Drawings for on-line games continue to be monitored by independent auditors and/or off-duty police officers. In addition, several pretests of drawing equipment take place before the actual drawings to ensure the equipment is operating appropriately. The Lottery also develops procedures for any special drawings it conducts. These procedures describe the drawing rules, the drawing process, and the security over drawing materials.

Lottery Premises/Warehouse Security

Security systems monitor access to all parts of the Lottery building and Lottery employees are only granted access to those areas of the building which are necessary to perform their job duties. To comply with a 1994 audit recommendation, the Lottery locked all doors leading to the warehouse and only security and warehouse personnel have unrestricted access. All non-security and non-warehouse personnel are required to request access to the warehouse and sign an access log when they enter and exit the warehouse. In addition, all visitors to the Lottery are required to sign an entry/exit log and must wear an identification badge during their visit.

Ticket Distribution Security

All Lottery tickets are distributed to retailers via United Parcel Service. Based on our review, we believe this system generally provides a secure system to distribute tickets. This system also provides the Lottery with a means to track the location of tickets and who signed for their receipt.

Instant Game Ticket Delivery/Storage

Instant game tickets are delivered to Lottery headquarters from Dittler Bothers, Inc., via tractor/trailer. The trailer is locked with a numbered seal and Lottery security personnel verify this number to the bill-of-lading upon the trailer's arrival. Once unloaded, instant game tickets are stored behind a locked fence in the Lottery's warehouse and only security and warehouse personnel have access to the tickets.

Computer Security

Computer security controls protect assets and limit losses from three types of basic threats: intentional acts such as fraud or sabotage; disaster such as water or fire; and human errors and omissions such as data entry errors. Our audit found controls are in place which ensure the overall security of the Lottery's computer system which administer both the instant and on-line lotto games. Many of these controls are the result of the Lottery implementing recommendations from security audits completed by our office. The Lottery implemented several recommendations from our 1994 security audit related to computer security. Changes made by the Lottery included:

- Eliminating a flow of water in water lines located above the Lottery's computer room.
- Improving the process to test computer security devices, such as fire extinguishers and smoke alarms, to ensure they operate properly in the event they are needed.
- Performing bi-annual reviews of user access privileges to Stratus system applications to ensure access is appropriate.
- Developing a mission and goals and objectives for the Lottery's data processing security group.
- Conducting periodic reviews of AWI's computer facility.

- Providing computer security training to Lottery security personnel.

Conclusion

We found the Lottery has security controls in place which ensure the overall security of its operations.

Agency Response

April 24, 1997

Mr. Joe F. Murray
Senior Performance Auditor
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Dear Joe:

Thank you for the opportunity to respond to the final report on Montana Lottery Security. In general, the Montana Lottery agrees with the audit findings and recommendations. Through the audit process, we believe, we strengthen our existing policies and practices.

The following is our response to your specific recommendations:

Recommendation #1.

We recommend the Montana Lottery:

A. Approve AWI employee access rights to Lottery OLMT applications based on the requirements of employee position descriptions.

B. Review the reasonableness of OLMT access on a periodic basis.

We concur with both parts of your recommendation. We have made a request of our vendor, AWI, to provide general job descriptions and their recommended access privileges for their employees. This should provide a starting place to better understand what privileges and limitations need to be in place. We will meet the above recommendation requirements no later than August 1, 1997.

Thank you again for the opportunity to respond. We may contact you if further questions arise regarding the recommendations. We appreciate the professional and constructive manner in which the audit was conducted. If you have any questions regarding my comments please do not hesitate to contact me.

Respectfully submitted,

L. John Onstad
Director of Security
Montana Lottery

cc: Jerry LaChere, Lottery Director

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